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STAFF NOTES:

Soviet Union Eastern Europe

State Department review completed

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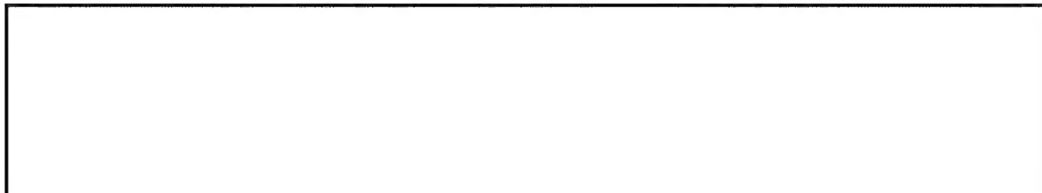
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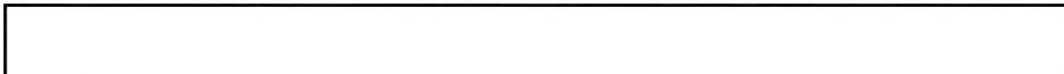


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Soviet Views on Schlesinger

Moscow has resumed its press campaign against recent public statements on nuclear strategy by Defense Secretary Schlesinger. The new attack, probably intended in part to offset too rosy an image of the US created by the extravagantly favorable coverage of Apollo-Soyuz, appeared in the weekly news magazine *New Times*. Although this mass circulation periodical does not carry the weight of other party and government organs, the author, Georgiy Arbatov, is one of Brezhnev's most prominent advisers on US affairs. Arbatov's Institute of the USA and Canada has long been critical of Pentagon nuclear policy.

The article by Arbatov broke no new ground in cataloging Soviet objections to the Secretary's remarks. The author reiterated Soviet complaints that the Secretary is attempting to ensure US superiority over the USSR in contravention of bilateral agreements on the right of each side to equal security. Arbatov also took the Secretary to task for his "bargaining chip" tactics regarding new weapons, and his "advocacy" of limited nuclear war.

Arbatov replayed the standard rejoinder that Washington cannot prescribe the rules of nuclear warfare and cautioned that even a "limited" strike could result in a launch-on-warning response. He derided the notion that a policy of "selective response" is more likely to deter a "limited attack" than one of massive retaliation.

As have other Soviet commentators, Arbatov tied the Secretary's statements to anti-detente maneuverings in the US. In a more authoritative commentary earlier this month, *Pravda* accused the Secretary of

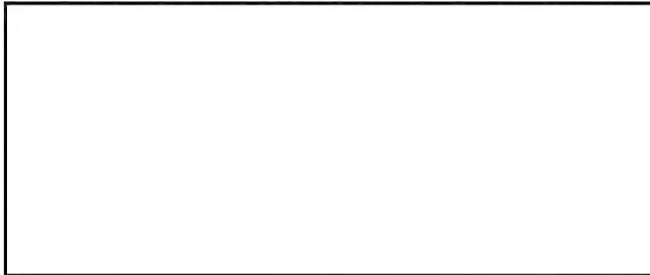
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being a spokesman for those hewing to "militarist dogmas of the past" and added that his remarks were also aimed at winning approval of the US military budget.

Moscow's continuing attention to the Secretary's comments suggests that Brezhnev may raise the issue with the President in Helsinki. Although detente considerations and diplomatic courtesy dictate that the Soviets concentrate their attacks on the Secretary of Defense, they almost certainly read his statements as those of the administration. Brezhnev may argue at Helsinki that such statements undercut his efforts in the USSR to sell new arms limitation agreements with the US.



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Belgrade Hopes To Avert Effort To
Oust Israel from the UN

Belgrade will apparently attempt to steer next month's nonaligned foreign ministers' meeting in Lima away from efforts to seek Israel's ouster or suspension from the UN.

Recent remarks by high-level Yugoslavs indicate that Belgrade is sampling international opinion to determine whether the time is ripe to push for a more balanced line in the nonaligned movement. Last week, for instance, a Yugoslav Foreign Ministry official told the Australians that Belgrade sees the Peruvian chairmanship of the Lima conference as an advantage for the more moderate states. The official also said that Yugoslavia was adamantly opposed to the expulsion of Israel from the UN, and would, for the first time, break step with its allies by refusing to sign any declaration calling for such a step.

Premier Bijedic last Thursday expressed the same thought in more general terms to the US ambassador. Bijedic contended that moderates constitute a majority in the nonaligned movement, and they want a dialogue, not a confrontation, with the developed countries. Bijedic nonetheless indicated impatience with Israeli inflexibility and argued for a nonaligned role in arranging a Middle East settlement.

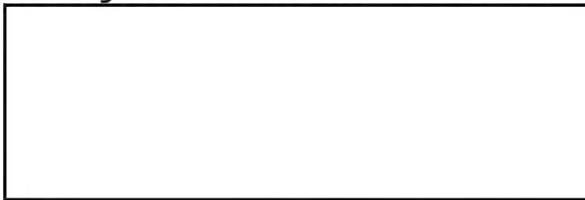
Yugoslav impatience with radicals in the non-aligned leadership--especially Algeria--has been steadily growing since the Algiers nonaligned summit in 1973. Although still an advocate of "active non-alignment," Belgrade disagrees with the radicals' willingness to endanger such common interests as preserving the effectiveness of the UN for short term gains. The danger of offending the Arabs and the risk of dividing the nonaligned movement has, however, muted Yugoslav complaints.

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The Yugoslav comments in part reflect the fact that the Yugoslav economy is now seriously affected by the world-wide recession. As a result, Belgrade is even more impatient with radical posturing on negotiations affecting the prices of oil and other raw materials. With the Israeli-UN issue coming to the forefront, Belgrade and the other nonaligned moderates are torn between desires for unity in the movement and the need for good relations with the developed countries.



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~~SECRET~~Private Soviet Comment on India

Moscow seems worried that the US may mount a discreet effort in support of Prime Minister Gandhi's opponents in India but at the same time is disappointed that the present crisis has not done more to damage Indo-US relations. These at least were the messages conveyed when US officials met recently with two of the Soviet Foreign Ministry's South Asian experts in Moscow. These officials repeated the USSR's public line that Gandhi was forced to act as she did because India's rightists were intent on fomenting domestic disorder. They noted that there had been little effective opposition to her moves in India, but nevertheless warned against outside interference in India's internal affairs. The Soviets seemed to be saying in effect that Washington would fail should it attempt any move against Mrs. Gandhi.

There was a trace of disappointment that the US had not stumbled into a stronger anti-Gandhi policy. The Soviets attempted to elicit the likely US response should India move even further in an authoritarian direction and, when the US officials were noncommittal, seemed to draw some satisfaction from the fact that the US press is decidedly anti-Gandhi. The Soviets have been worried about the recent improvement in US-Indian relations because they are not sure how far it will go and because they fear it might eventually facilitate a Sino-Indian rapprochement.

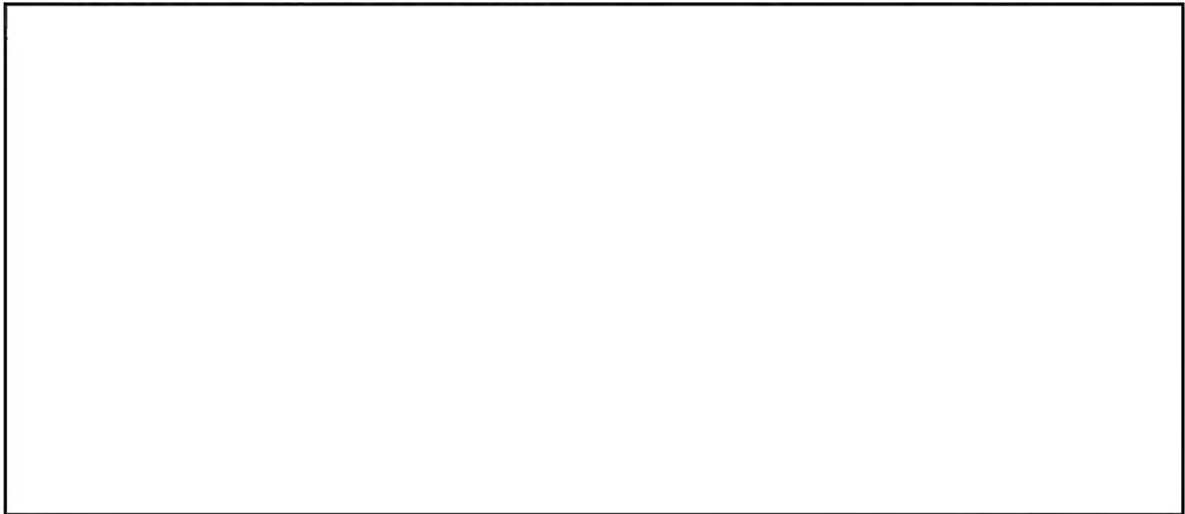
The Soviets maintained that their relations with India are still close, in fact "without a cloud in the sky." Moscow does enjoy better relations with India than any other major power, but its claim is somewhat

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overdrawn. Prime Minister Gandhi welcomed Soviet support for her recent moves but would have preferred that it was offered more discreetly. She is not going to be happy when she learns that the Soviets have again been hinting at their willingness to provide military aid to Pakistan.



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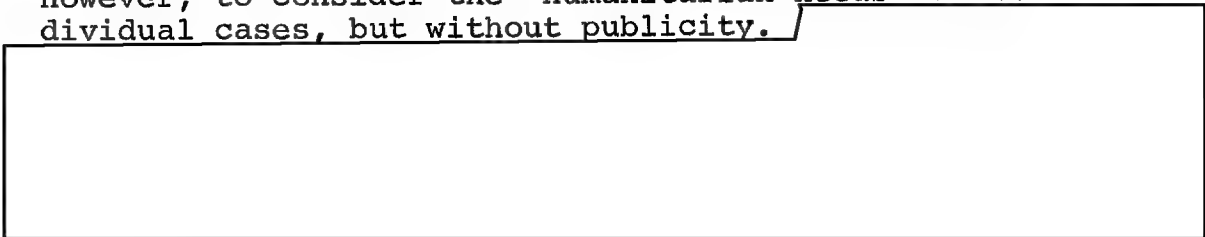
Budapest Wants the Crown Returned

Hungarian Premier Lazar has officially requested that the US return the Crown of St. Stephen. The crown, a traditional symbol of political legitimacy for the Hungarians, has been in US hands since 1945. This is the first time that Budapest has directly raised the matter at this level.

During Ambassador McAuliffe's introductory call on July 16, Lazar gave a lengthy rationale why the crown should be returned, pointing mainly to improved bilateral relations and to the current atmosphere of detente. He explicitly asked that his oral, but official, request be relayed to senior US authorities.

Lazar said that the granting of most-favored-nation status would remove the second major impediment to normal US-Hungarian relations. He hoped that the recently enacted US trade law would be rewritten, and rejected any linkage between bilateral trade and Hungarian emigration policies. Lazar said his government will not change its law virtually prohibiting emigration, nor will it yield to pressure on the way it administers the law. He said Budapest is willing, however, to consider the "humanitarian needs" of individual cases, but without publicity. /

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Yugoslav-US Petrochemical Joint Venture

Dow Chemical Company and Industria Nafta of Zagreb signed an agreement in January for construction of a \$600 million petrochemical complex at Rijeka where the Yugoslavian company has a refinery. Details of the project have just been released by Yugoslavia.

The complex will be near the deep water port under construction at Omisalj and adjacent to a scheduled crude oil terminal. The terminal is being built in conjunction with the projected Yugoslav pipeline that will supply Yugoslavia, Hungary and Czechoslovakia with oil from the Middle East and Africa.

The petrochemical facilities, to be built in three stages, will include:

Units for vinyl chloride, polypropylene and high-density polyethylene scheduled to go on stream in 1979.

Facilities for styrene and low-density polyethylene to be completed in 1981.

A 400,000 ton-per-year ethylene plant and facilities for propylene, benzene and ethylbenzene to be completed in 1982.

Dow will hold a 49 percent interest in the project and the Yugoslav company, 51 percent. Petroleum feedstock will come from three Yugoslav refineries; Dow technology will be used.

The petrochemical joint venture--Dow's second in Yugoslavia--will enable Dow not only to enter the Yugoslav market, but also to market its products in other East European countries. Dow will be able to repatriate one-third of the foreign exchange proceeds resulting from exported products.

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Czechoslovakia: Bilak Is
Not Going to Helsinki

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Vasil Bilak's absence from the Czechoslovak delegation selected to attend the CSCE summit meeting in Helsinki suggests that he is at least a temporary victim of political infighting in the party leadership.

The absence of Bilak, who is the party secretary for international affairs, is conspicuous because his counterparts in the Bulgarian, East German, Polish, and Romanian parties are attending the gathering in Helsinki. Bilak does not, however, enjoy the close relationship with party chief Husak that his counterparts have with their respective party leaders.

Indeed, Husak, the leader of the delegation, may have engineered Bilak's exclusion. The two men have a history of political and personal differences.

Bilak has also reportedly differed with Foreign Minister Chnoupek over the formulation of foreign policy. Chnoupek is an aggressive and self-confident foreign policy executor, who has excellent contacts with the Soviets. In addition, there are rumors in Prague that Chnoupek will be promoted to the party presidium (politburo) before or at the party congress next April. Bilak's absence from the Helsinki delegation thus could also be at least a tactical victory for Chnoupek--with Husak's blessing and support.

If Bilak's position is slipping there will almost certainly be further evidence as the Czechoslovak party prepares for its 1976 congress.

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More EE Delegations to CSCE

Bulgaria

President/Party Chief	Todor Zhivkov (delegation head)
Foreign Minister	Petur Mladenov
Party Secretary for International Relations and Foreign Affairs	Konstantin Tellalov
Deputy Chairman of National Assembly	Nikolay Georgiev
Permanent Representative to UN	Raiko Nikolov

Czechoslovakia

President/Party Chief	Gustav Husak (delegation head)
Premier	Lubomir Strougal
Foreign Minister	Bohuslav Chnoupek
Ambassador to Finland	Oldrich Pavlovsky

East Germany

Party Chief	Erich Honecker (delegation head)
Foreign Minister	Oskar Fischer
Party Secretary for International Relations	Hermann Axen

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East Germany (cont'd)

Head of Foreign Ministry Policy and Planning De- partment	Seigfried Bock
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Head of Foreign Ministry Northern European Department	Peter Steglich
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Ambassador to Finland	Heinz Oelzner
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Romania

President/Party Chief	Nicolae Ceausescu (delegation head)
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Foreign Minister	George Macovescu
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Party Secretary for Foreign Affairs	Stefan Andrei
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CSCE Ambassador	Valentin Lipatti
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